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ABSTRACT

Between the later 1960s and early 1990s, young workers experienced declining average real wages and increasing labor market inequality. High-skilled youths--those with a college degree--fare better in this new economy relative to youths with few skills and little formal education. This paper studies two separate, but related, indirect effects of this labor market deterioration: changes in living arrangements and changes in economic independence, the ability to support oneself and dependents financially. Data are from the National Longitudinal Study-Young Men, the National Longitudinal Study-Young Women, and the National Longitudinal Study of Youth. It is found that, over this period, youths tended to drift away from living arrangements with significant financial responsibility, such as living with a spouse and children, and toward arrangements with less responsibility, such as remaining at home with one's parents or living alone. This shift is especially pronounced for low-skilled youths, those most adversely affected by the labor market deterioration. These changes in living arrangements tended to increase the economic independence of youths relative to their loss in economic independence were they unable to alter these living arrangements. (Author/SLD)

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Abstract

Between the late 1960s and early 1990s, young workers experienced declining average real wages and increasing labor market inequality. High-skilled youths—those with a college degree—fare better in this new economy relative to youths with few skills and little formal education. This paper studies two separate, but related, indirect effects of this labor market deterioration: changes in living arrangements and changes in economic independence, the ability to financially support oneself and dependents. We find that over this period, youths tended to shift away from living arrangements with significant financial responsibility, such as living with a spouse and children, and toward arrangements with less responsibility, such as remaining at home with one's parents or living alone. This shift is especially pronounced for low-skilled youths, those most adversely affected by the labor market deterioration. These changes in living arrangements tended to increase the economic independence of youths relative to their loss in economic independence were they unable to alter these living arrangements.

Youth Living Arrangements, Economic Independence, and the Role of Labor Market Changes: A Cohort Analysis from the Early 1970s to the Late 1980s

1. INTRODUCTION

The last 30 years have witnessed dramatic changes in the labor market. Reflecting very low rates of productivity growth, real median earnings for full-time male workers have fallen slightly; a small gain has been experienced for the median female worker. While economy-wide employment has been rising, this upward trend masks the substantial heterogeneity in labor market outcomes for workers of differing skill levels. Job creation and earnings growth have been strongest for high-skilled workers, those with labor market experience and formal education. In contrast, employment and earnings for males, youths, and minorities have exhibited a downward trend, especially for those with few skills and little education. Between the early 1970s and late 1980s, the proportion of male youths earning more than $10,000 per year (in 1990 dollars) fell from 79 percent to 61 percent for high school dropouts but rose from 82 percent to 87 percent for college graduates. For female youths, the proportion earning more than $10,000 per year for high school dropouts fell slightly (from 30 percent to 29 percent) but rose markedly, from 70 percent to 83 percent, for college graduates.

This labor market deterioration, especially for male youths with few skills, is also reflected in changes in the economic position of the families in which these youths live. Between the early 1970s and late 1980s, the proportion of male youths living in families with income below the poverty line rose from 16 percent to 28 percent for high school dropouts and was stable at 6 percent for college graduates. For female youths, the poverty rate rose from 32 percent to 45 percent for high school dropouts but fell from 9 percent to 6 percent for college graduates.[1]

Although the nature of labor market deterioration for low-skilled youths has been widely documented, the indirect effects of this deterioration have not been explored. We study two separate, but

[1]The above statistics are from Haveman and Knight (1998).

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related, indirect effects of this deterioration on youth: changes in living arrangements and changes in economic independence. First, low-skilled youths may respond to diminished labor market opportunities by altering their living arrangements, perhaps choosing to remain at home with their parents rather than living independently. Second, diminished labor market opportunities may reduce the extent to which low-skilled youths are economically independent, defined as having earnings sufficient to lift oneself and one's dependents out of poverty.

To better appreciate the reason for studying these two indirect effects in tandem, consider a disadvantaged young adult whose employment prospects depend on labor market conditions. A married youth will find it more difficult to support a family in a depressed labor market, leading to a decline in his economic independence. However, in the face of a depressed labor market, the youth may choose to delay marriage and family, and instead choose to live alone or to remain in the parental household. Thus, the youth may be able to mitigate the potential loss in economic independence by choosing living and family arrangements with fewer responsibilities. Hence, in our analysis, we first estimate the level of economic independence of youths facing diminished labor market opportunities, if they were unable to shift toward living arrangements with less responsibility. Then, using this measure, we estimate the extent to which the actual shift in living arrangements was able to mitigate this potential loss of economic independence. The labor market deterioration we analyze is that which occurred between the late 1960s and the late 1980s.

To preview our results, we find that over this period, youths tended to shift away from living arrangements with significant financial responsibility and toward arrangements with less responsibility. We interpret this trend as a reaction by youths to changes during this period in the youth labor market, namely an increase in earnings inequality, stagnation in median earnings, and increased employment insecurity. We also find a diminished level of economic independence for males as a group, but an improved level of economic independence for females across all skill categories. While males without a

college degree experienced lower levels of economic independence, those male youths with a college degree experienced higher rates of economic independence in the late 1980s relative to the early 1970s. We also find that the delay of family formation and a shift toward living arrangements with less responsibility significantly increased the economic independence of youths in the late 1980s, relative to the loss of economic independence they would have experienced were they unable to alter their living arrangements.

2. LABOR MARKET CHANGES

Discovering the effects of changing labor market conditions on youth living arrangements and economic independence is a natural extension of earlier analyses of the more immediate effects of labor market deterioration on youth wages, youth employment, and the economic circumstances of the households within which youths live (see, for example, Haveman and Knight, 1998).

Using data from several different national longitudinal studies of youth, our previous study examines the experiences of two youth cohorts aged 19 to 25 entering the labor market at different times. The first cohort entered the robust labor market of the late 1960s, while the second cohort entered the labor market of the mid-1980s with its diminished opportunities, especially for low-skilled youths. Consistent with previous research, we find an improvement over the two time periods in levels of employment and earnings for high-skilled youths, with a corresponding deterioration for lower-skilled youths. We find substantial within-cohort earnings and employment rate growth for high-skilled youths in both cohorts (along with an improvement in household economic circumstances), with a corresponding deterioration in earnings, employment, and household economic circumstances for lower-skilled youths, especially those youths entering the deteriorated labor market of the mid-1980s.

In the current paper, we build upon these results by studying two important effects of these changes in labor market opportunities and outcomes. First, we study changes in living arrangements

between the two cohorts. Youths may respond to diminished labor market opportunities by remaining at home with their parents or delaying marriage and children. Second, we study changes in economic independence, defined as having earned income greater than the poverty line for the family size and structure in which the youth actually lives. In spite of the adjustment to living arrangements, youths facing diminished labor market opportunities are likely to experience less economic independence.

Although earlier studies have documented falling earnings, wages, and employment for low-skilled youths,[2] there are few studies of the broader, indirect effects of these diminished labor market opportunities. One exception is Card and Lemieux (1997); their paper studies how male and female youths respond to depressed labor market conditions. Using variation in regional labor market conditions for youths[3] in both the United States and Canada, they study four mechanisms through which youths "cope" with poor labor market opportunities: changes in work effort, living arrangements, school enrollment, and welfare recipiency.

Using a grouped linear probability model in which observations from the United States and Canada are estimated both separately and pooled, Card and Lemieux find strong evidence that deterioration in local labor market conditions leads to a decreased probability of working and an increased probability of living with parents. This result is found for both measures of local labor market conditions, for both countries, and for both sexes. They find weaker evidence that local labor market deterioration is associated with an increased probability of school enrollment or welfare recipiency. Most relevant to this paper is the response in living arrangements—a deterioration in labor market conditions is associated with an increased probability of youths living with their parents.

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[2]For evidence on the direct effects, see Blackburn, Bloom, and Freeman (1990) and Freeman (1990).

[3]The employment rate of non-youths (those aged 25–44) and a youth wage index are taken as indicators of local labor market conditions.

3. DATA AND COHORT SELECTION

Our results rest on data from three comparable sources: the National Longitudinal Study (NLS)-Young Men, the National Longitudinal Study (NLS)-Young Women, and the National Longitudinal Study of Youth (NLSY). All three data sets follow youths who are completing their education and entering the labor force. Within a data set, the same sample of youths is questioned annually on a broad array of topics including education completed, labor market success, living arrangements, marital status, number of children, and poverty status.

The NLS-Young Men began in 1966 and consists of 5,225 men aged 14 to 24. The NLS-Young Women began in 1968 and consists of 5,159 women aged 14 to 24. The NLSY began in 1979 and consists of 12,686 men and women aged 14 to 22.

Individuals in each of the two youth cohorts were followed over a 7-year sample period. In the first year of the sample period, the youths are aged 19 to 25. For the men, the early cohort covers the years 1968–1971, 1973, 1975, and 1976 (NLS-Young Men interviews were not conducted in 1972 and 1974). For the women, the early cohort covers the years 1968–1973 and 1975 (NLS-Young Women interviews were not conducted in 1974).

For both men and women, the late cohort covers the years 1984–1990. In spite of the quite different low-skill market opportunities in the two periods, the early 1970s and late 1980s have similar overall macroeconomic conditions. The major recessions in the last three decades occurred in the early 1980s and the early 1990s, and these years are thus excluded from the analysis.

This study selects youths from the relevant data set if they meet both of the following two criteria. First, a youth must meet the age profile (19–25 years old in the first year of the sample period). Second, a youth must be interviewed in the last year of the sample period. That is, the youth must not have attrited from the panel.

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This study defines skill along two dimensions: an education definition and an IQ/intelligence definition. Both definitions incorporate three skill groups: high, medium, and low. Given the qualitatively similar results between both skill dimensions, we will focus in the text on the education definition; a full set of results is available in the tables.

The education skill definition classifies those with at least 16 years of education (college graduates) as high skill, those with 12–15 years (high school graduates) as medium skill, and those with less than 12 years (high school dropouts) as low skill. Years of education is an imperfect measure of the highest degree completed; for example, a youth could complete 16 years of education and still not have a college degree. Unfortunately, data on highest degree completed are incomplete; therefore, highest grade completed is used as a proxy measure. Years of schooling completed is measured as of the fourth year of the sample period (1971 for the early cohort and 1987 for the late cohort), at which time the youths are aged 22 to 28; each youth is thus given sufficient time to complete a college degree.[4] Respondents missing a highest grade completed in the fourth year of the sample period are excluded from education skill analysis.[5]

The IQ skill definition classifies those in the top 25 percent (population weighted) of the IQ distribution as high skill, those in the middle 50 percent as medium skill, and those in the bottom 25 percent as low skill. Youths are classified into a quartile after correcting for oversampling by using the population weights. An IQ variable is available for about 65 percent of youths in the early cohort. No IQ

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[4]For the education skill definition, this study ignores education acquired after the fourth year of the sample period for two reasons. First, it is necessary to have one skill classification for each youth over the entire sample period due to the longitudinal component of the study. For example, one of the measures of labor market success is whether the youth experiences an increase in wages between the beginning and end of the sample period. To compare averages of this one indicator for each youth across skill levels, it is necessary to have one definition of skill for each youth. Second, a youth returning to school to complete a college degree in the last year of the sample period would have experienced the labor market over the majority of the years studied as a youth with only a high school degree. Therefore, it would be inappropriate to classify the youth as a highly skilled college graduate when comparing the labor market experiences of youths across different skill levels for the entire sample period.

[5]This restriction eliminates approximately 191 men and women from the early period and 332 from the late period.

variable is available in the late cohort; however, more than 90 percent of respondents took the Armed Services Qualification Test (AFQT) in 1980 administered by the NLS. The AFQT score is used as a proxy for IQ. Respondents missing a test score are excluded from the IQ skill analysis.[5]

The education definition is absolute in the sense that the definition does not change between the two cohorts while the proportion of youths in each education/skill classification will vary. By contrast, the IQ definition is relative in the sense that the definition of skill varies between the cohorts while the proportion of youths (in the population) in each skill category is constant across cohorts.

To obtain unbiased estimates of the population means for each skill group, sample averages are adjusted using population weights (the number of individuals in the U.S. population represented by each youth) within each skill group throughout the analysis. This weighting scheme is designed to account for any differences in sampling procedures used by the NLS between the two cohorts; for example, there may be more oversampling among minority youths in the later period. Without population weights, time-invariant, inferior labor market experiences for minorities would be mistakenly interpreted as the effect of a deteriorating labor market on overall youth outcomes.

This weighting scheme within skill groups is used in addition to the population weighting procedure employed when classifying youths into IQ skill categories. The former corrects for differences in NLS sampling procedures affecting the distribution of youths within a skill category while the latter corrects for differences affecting the distribution of youths across skill categories.

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[5]This restriction eliminates approximately 1,038 men and women from the early period and 248 from the late period.

Sample size counts (unweighted) for the two cohorts are given in the table below.

Education Definition	Men Early Cohort	Men Late Cohort	Women Early Cohort	Women Late Cohort
0–11 years school	432	634	425	540
12–15 years school	1035	2386	1497	2498
>15 years school	446	526	292	563
Cohort total	1913	3546	2214	3601
IQ definition				
Bottom 25%	485	1340	530	1448
Middle 50%	723	1639	796	1558
Top 25%	345	611	401	635
Cohort total	1553	3590	1727	3641

4. CHANGES IN LIVING ARRANGEMENTS

We first provide a descriptive overview of changes in living arrangements from the early 1970s to the late 1980s using the following five exhaustive and mutually exclusive categories:

1. with parent(s)
2. with spouse and children
3. with children, no spouse
4. with spouse, no children
5. alone (without family)

Category 1 captures youths living at home with their parents. Categories 2–4 capture youths not living with their parents but living with their own families. Finally, category 5 captures youths living apart from their families, either alone or with roommates. Tables 1 and 2 (page 10 and page 13) detail the proportion of youths living in each arrangement. The proportions presented are averages across both individuals and the 7-year panel.

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4.1 Results for Males

The living arrangements results for male youths are summarized in Table 1 and Chart 1. The general trends in male youth living conditions include an increased rate of living with parents and living alone, with a corresponding decrease in the proportion of youths living with own family (i.e., living with spouse, with spouse and children, or with children).

The most significant change between the two cohorts is a sharp decline in the number of male youths living with a spouse or children. Rather than living with their own family, male youths have chosen to remain in the parental home or to live alone. Among all males, the proportion living with parents rose from 21 percent to 29 percent, the proportion living with own family fell from 63 percent to 36 percent, and the proportion living alone rose from 16 percent to 35 percent.

Youths may respond to diminishing labor market opportunities by delaying marriage and family, instead remaining at home with their parents to lessen their financial responsibilities. This increase in the proportion of male youths remaining with their parents is more pronounced for low-skilled males, relative to their higher-skilled peers. Further, previous research has found that the labor market deterioration was most acute for low-skilled male youths, the group most likely to remain in the parental home in the late cohort, relative to the early cohort. Taken together, these two pieces of evidence are consistent with the hypothesis that youths adjust their living arrangements in response to the labor market opportunities that are available to them.

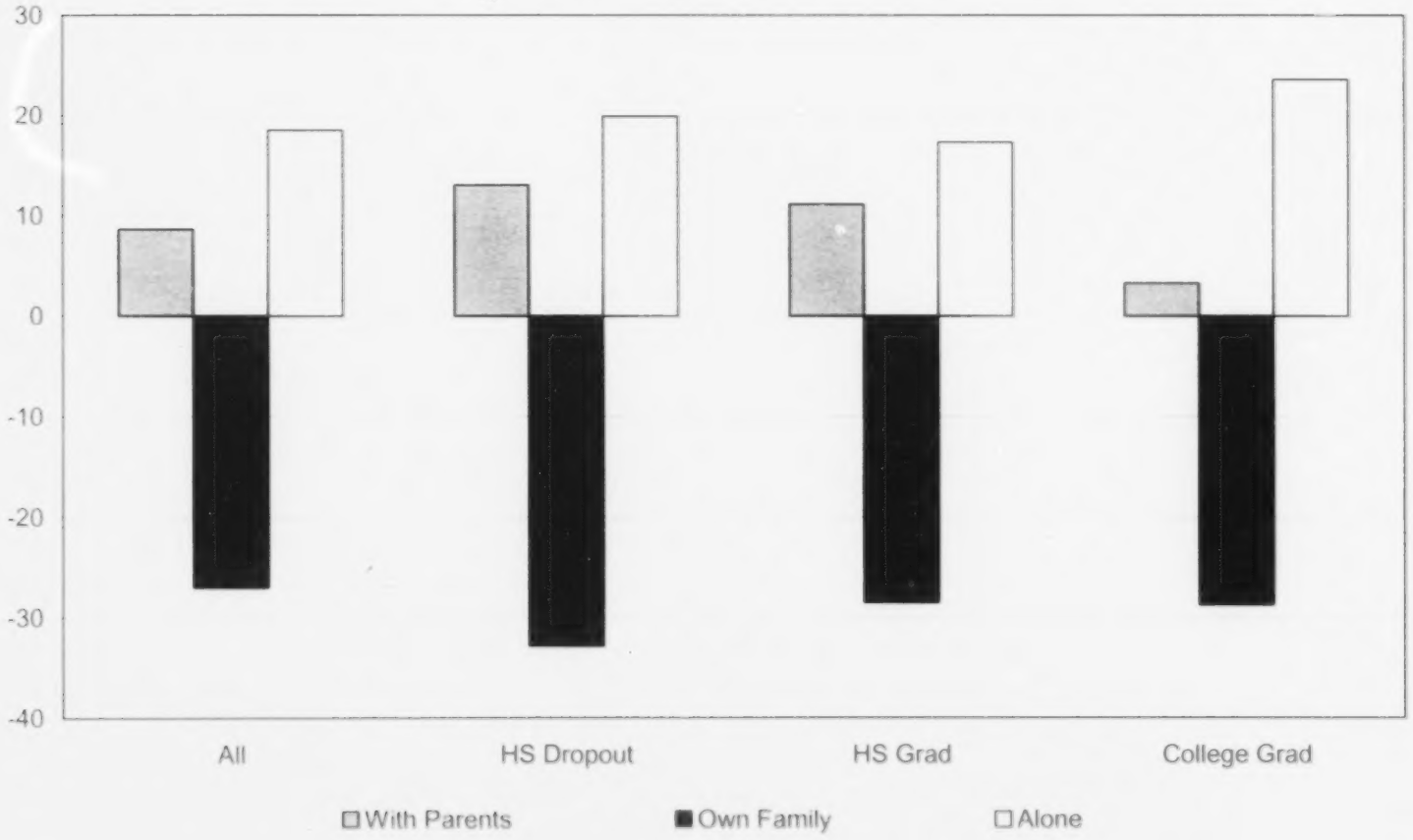
In summary, these results suggest that male youths responded to diminished labor market opportunities by delaying marriage and family formation, choosing instead to either remain at home with their parents or live alone. Consistent with the view that these adjustments are in response to changes in labor market opportunities, the movement away from marriage/own-family living arrangements is the greatest for low-skilled youths who experienced the most substantial erosion in earnings opportunities.

TABLE 1
Male Living Arrangements Summary

	All Men			High School Dropout			High School Grad			College Grad		
Education Skill Definition	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change
With Parents	0.205	0.291	8.6	0.198	0.328	13.0	0.188	0.299	11.1	0.231	0.263	3.2
Own Family	0.634	0.364	-27.0	0.700	0.372	-32.8	0.679	0.394	-28.5	0.590	0.303	-28.7
With spouse and child	0.366	0.197	-16.9	0.501	0.233	-26.8	0.410	0.225	-18.5	0.263	0.106	-15.7
With children, no spouse	0.004	0.020	1.6	0.006	0.056	5.0	0.005	0.018	1.3	0.002	0.003	0.1
With spouse, no children	0.264	0.147	-11.7	0.193	0.083	-11.0	0.264	0.151	-11.3	0.325	0.194	-13.1
Alone	0.161	0.346	18.5	0.101	0.300	19.9	0.133	0.306	17.3	0.199	0.435	23.6

	All Men			Low IQ			Middle IQ			High IQ		
IQ Skill Definition	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change
With Parents	0.205	0.291	8.6	0.226	0.374	14.8	0.167	0.285	11.8	0.245	0.225	-2.0
Own Family	0.634	0.364	-27.0	0.648	0.321	-32.7	0.676	0.378	-29.8	0.533	0.376	-15.7
With spouse and children	0.366	0.197	-16.9	0.402	0.194	-20.8	0.384	0.208	-17.6	0.235	0.172	-6.3
With children, no spouse	0.004	0.020	1.6	0.004	0.034	3.0	0.005	0.018	1.3	0.001	0.009	0.8
With spouse, no children	0.264	0.147	-11.7	0.242	0.093	-14.9	0.287	0.152	-13.5	0.297	0.195	-10.2
Alone	0.161	0.346	18.5	0.126	0.304	17.8	0.157	0.338	18.1	0.221	0.399	17.8

CHART 1
Percentage Point Change in Male Living Arrangements



4.2 Results for Females

The results for female youths are summarized in Table 2 and Chart 2. For all women, the proportion with their own family (with spouse and/or children) fell dramatically, from 71 percent to 56 percent. Within this own-family category, the incidence of single custodial motherhood actually increased, from 6 percent to 11 percent. There was also a large increase in the proportion of women living alone, from 11 percent to 23 percent, and a slight increase in the proportion living in their parental home, from 18 percent to 21 percent.

As depicted in Chart 2, the magnitude of the shift away from living with own family to living alone increased with skill. This pattern may reflect the increase in employment rates and salary for high-skilled women and the corresponding decrease for low-skilled women as documented in Haveman and Knight (1998). Women with paid employment and higher salaries can more easily support themselves financially.

The increase in single custodial parenthood deserves special mention (see Chart 3). Even though the prevalence of living with a spouse and/or children decreased substantially from the early to the late cohort, the incidence of single custodial motherhood, a subcategory, increased dramatically within this living arrangement category. The proportion of female high school dropouts who are single custodial parents doubled, rising from 13 percent to 27 percent. By contrast, the number of female college graduates who are single custodial parents was stable and small across both cohorts, at about 1 percent.

4.3 Gender Comparison

The increased reliance on parental support was more pronounced for males than for females. The number of male youths living with parents rose from 21 percent to 29 percent, while the proportion of females living with parents rose from 18 percent to 21 percent, a smaller increase, both in absolute and percentage terms. This relatively larger increase for males is consistent with a more rapid deterioration in

TABLE 2
Female Living Arrangements Summary

	All Women			High School Dropout			High School Grad			College Grad		
Education Skill Definition	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change
With Parents	0.183	0.207	2.4	0.136	0.171	3.5	0.190	0.206	1.6	0.210	0.243	3.3
Own Family	0.712	0.560	-15.2	0.819	0.735	-8.4	0.710	0.597	-11.3	0.576	0.388	-18.8
With spouse and children	0.481	0.290	-19.1	0.631	0.395	-23.6	0.486	0.324	-16.2	0.256	0.143	-11.3
With children, no spouse	0.057	0.106	4.9	0.128	0.274	14.6	0.047	0.112	6.5	0.011	0.008	-0.3
With spouse, no children	0.174	0.164	-1.0	0.060	0.066	0.6	0.177	0.161	-1.6	0.309	0.237	-7.2
Alone	0.105	0.232	12.7	0.045	0.094	4.9	0.100	0.197	9.7	0.213	0.369	15.6

	All Women			Low IQ			Middle IQ			High IQ		
IQ Skill Definition	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change	Early	Late	Pct. Point Change
With Parents	0.183	0.207	2.4	0.197	0.245	4.8	0.174	0.212	3.8	0.186	0.164	-2.2
Own Family	0.712	0.560	-15.2	0.720	0.601	-11.9	0.722	0.568	-15.4	0.667	0.510	-15.7
With spouse and children	0.481	0.290	-19.1	0.530	0.293	-23.7	0.490	0.308	-18.2	0.388	0.253	-13.5
With children, no spouse	0.057	0.106	4.9	0.067	0.214	14.7	0.043	0.088	4.5	0.030	0.032	0.2
With spouse, no children	0.174	0.164	-1.0	0.123	0.094	-2.9	0.189	0.172	-1.7	0.249	0.225	-2.4
Alone	0.105	0.232	12.7	0.083	0.155	7.2	0.105	0.220	11.5	0.147	0.325	17.8

CHART 2
Percentage Point Change in Female Living Arrangements

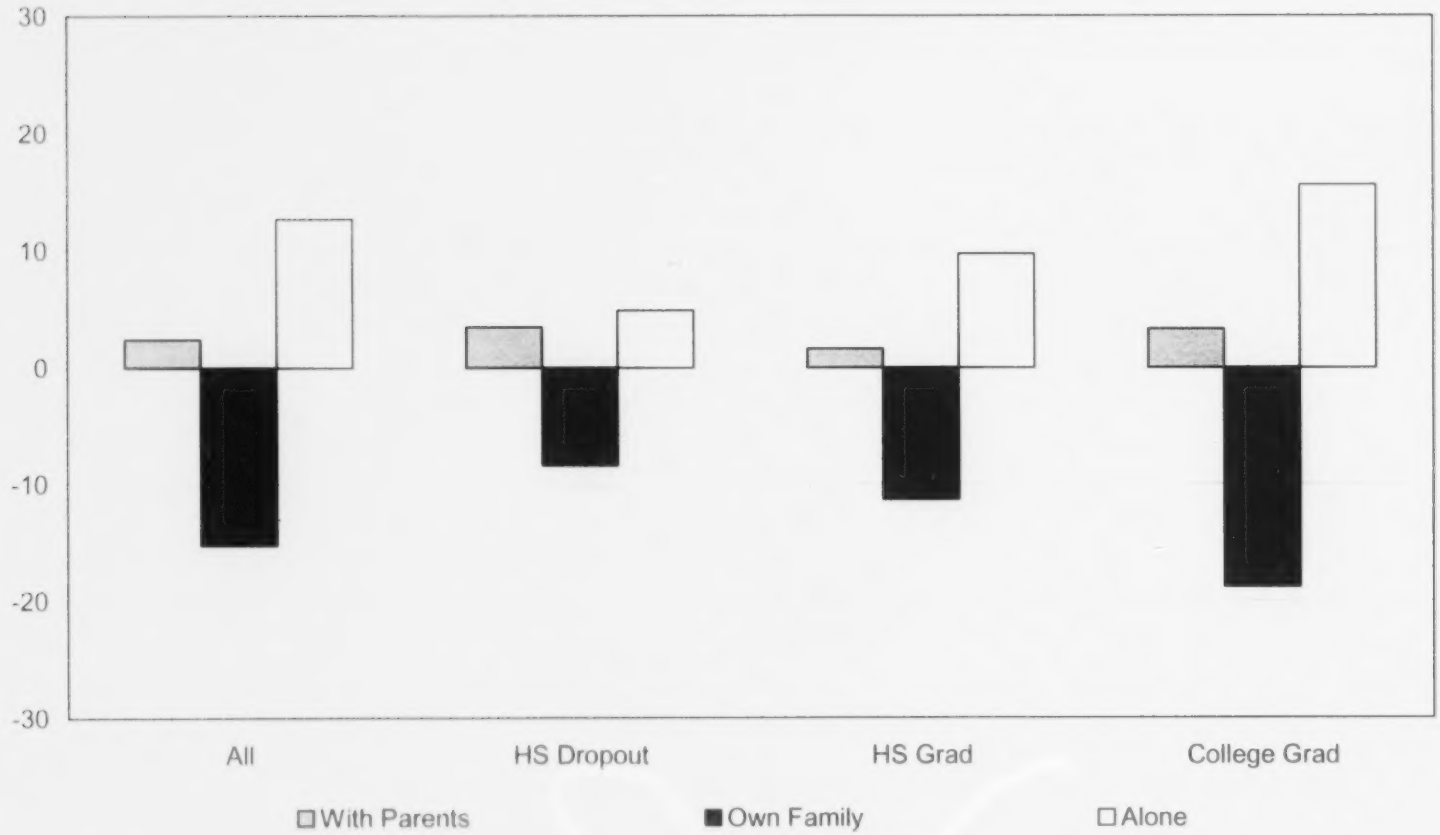
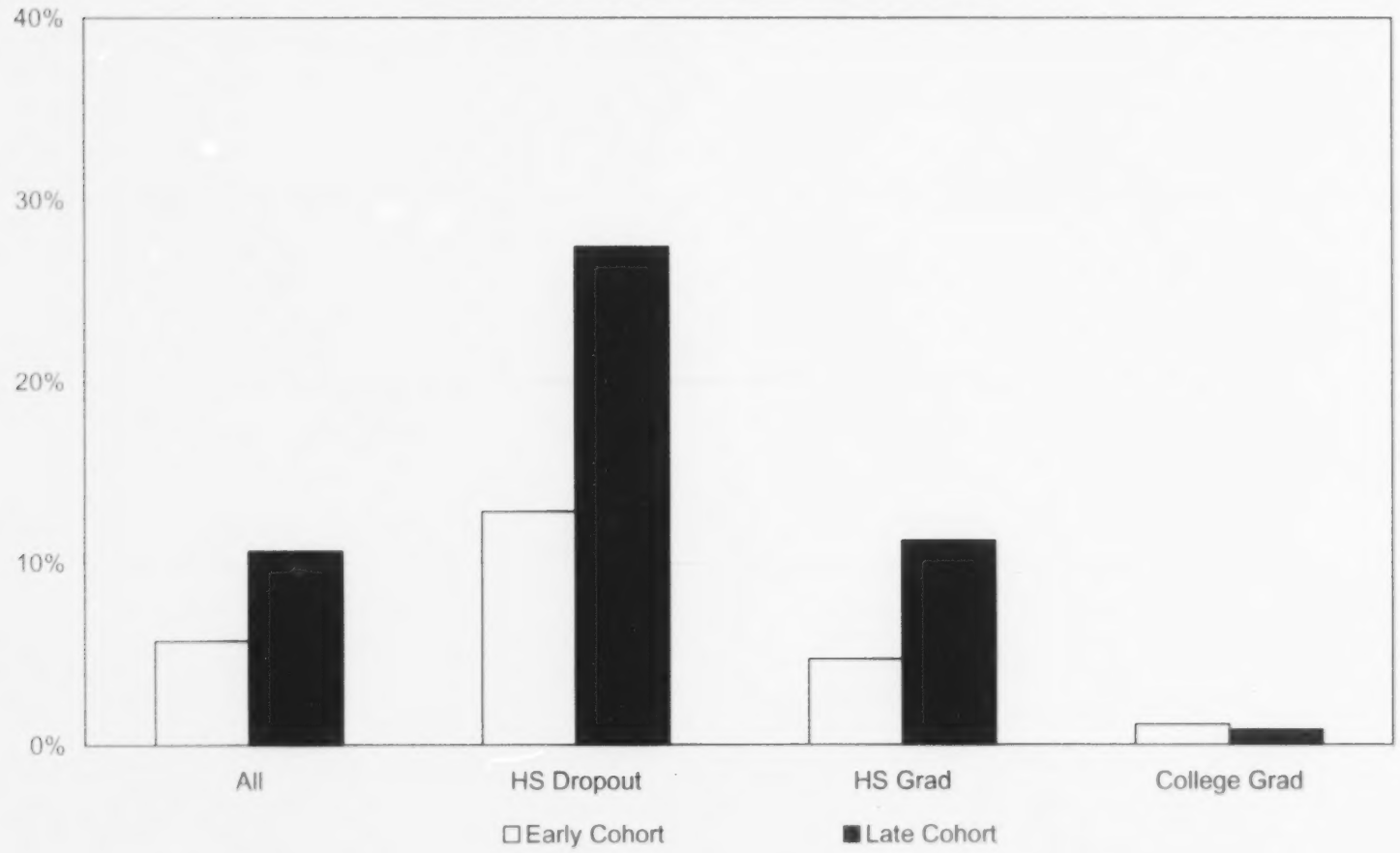


CHART 3
Changes in Single Custodial Motherhood



labor market conditions for males than for females; males seem to have chosen to remain at home to better cope with deteriorated labor market conditions.

4.4 Summary

These patterns suggest that low-skilled youths responded to diminished labor market opportunities in three ways. First, more youths, especially those most affected by the deteriorated labor market conditions, remained at home with their parents. Second, more youths delayed marriage and family, instead remaining at home with their parents, or living alone. Third, along with the deterioration in labor market conditions for low-skilled women, the prevalence of living with children but no spouse increased rapidly from the early to the later cohort.

Consistent with Card and Lemieux (1997), the general trend toward living arrangements with less financial responsibility can be interpreted as a reaction to overall diminished labor market opportunities for youth. Even youths experiencing higher wages, such as college graduates, may feel less secure in their employment situation due to a more volatile labor market, providing incentives to delay marriage and family and remain in living arrangements with less financial responsibility.

5. CHANGES IN ECONOMIC INDEPENDENCE

This relationship between labor market conditions and adjustments in living arrangements exists as individuals make choices designed to maximize their well-being in the face of changed opportunities. The combination of the labor market opportunities and individual choices in living arrangements determines the levels of youth well-being and economic independence that are observed. We define economic independence as having sufficient earnings to provide adequate—that is, above poverty—resources for the youth plus his/her children. By defining only the youth's children as

dependents, we implicitly assume that a spouse is able to earn enough to cover his or her own needs. In this section, we explore the patterns of youth economic independence from the early to the late cohort.

Because our measure of economic independence requires a youth to have earnings sufficient to support himself and his children, it reflects the role of labor market opportunities rather than the actual economic circumstances of the family unit in which the youth lives. Thus, an unemployed youth living in his parental home will not be in poverty as long as the total income of the parental home is above the poverty line. However, this youth will be considered economically dependent under our definition. Given this definition, the adjustments available to youths in responding to labor market changes are in choices regarding living arrangements, such as family formation; the interaction between living arrangements and economic independence will be addressed more fully in Section 6.

For female youths, we calculate this economic independence separately for four living arrangement categories:

1. with parent(s)
2. alone (without family)
3. with spouse
4. with children, no spouse (single custodial parent)

These categories are the similar to those in Section 4 except we have combined "with spouse, no children" and "with spouse and children" into a single category, "with spouse," due to a small number of observations in the "with spouse, no children" category for certain education groups. For males, categories 3 and 4 above are combined since very few men in either cohort are single custodial parents; we designate that category "with spouse."

Some youths may be living with their parents—and hence economically dependent on them—because they are completing their formal education. To focus on a youth's decision to remain at home due to adverse labor market conditions, rather than education decisions, we include only the final

year of the sample period. By this point, 25 is the youngest age in the sample; we assume that youths have completed their formal schooling by this age. For the early cohort, economic independence is measured in 1976 for males and in 1975 for females; for the later cohort, economic independence is measured in 1990 for both sexes. Tables 3 and 4 and Charts 4 and 5 present the results.

5.1 Results for Males (Table 3 and Chart 4)

Overall, the level of male economic independence declined between the two cohorts. The proportion of all male youths who were economically independent fell from 83 percent in the early cohort to 80 percent in the later cohort. Males without a high school degree experienced a substantially greater decrease in economic independence, a fall from 75 percent to 65 percent. Those with a high school degree also have less economic independence in the later cohort, a decrease from 85 percent to 80 percent. By contrast, males with a college degree experienced considerably more economic independence, an increase from 84 percent to 91 percent.

5.2 Results for Females (Table 4 and Chart 5)

In contrast to males, females of all skill levels experienced large increases in economic independence, an overall jump from 37 percent to 58 percent. This trend reflects increased labor force participation and wage rates among females in the late cohort, relative to the early cohort. The economic independence of female high school dropouts increased from 15 percent to 22 percent, while that of female high school graduates increased from 38 percent to 57 percent. The proportion of female college graduates experiencing economic independence soared from 58 percent to 82 percent. Although the rate of economic independence for high school dropouts increased between the two periods, these low-skilled women, with an economic independence rate of 22 percent in the late cohort, still lag far behind their high-skilled peers, who experience an economic independence rate of 82 percent in the late cohort.

TABLE 3
Male Economic Independence

Education Skill Definition	All Men					High School Dropouts					High School Grad					College Grad				
	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim
With Parents	0.067	0.660	0.160	0.723	0.698	0.117	0.560	0.210	0.525	0.504	0.062	0.723	0.174	0.755	0.729	0.042	0.662	0.089	0.856	0.926
Alone	0.158	0.798	0.329	0.809	0.823	0.111	0.708	0.320	0.615	0.615	0.144	0.832	0.284	0.801	0.821	0.200	0.806	0.418	0.925	0.928
With Spouse	0.774	0.847	0.511	0.830	0.766	0.773	0.784	0.470	0.737	0.610	0.794	0.868	0.542	0.821	0.754	0.757	0.860	0.493	0.912	0.901
Overall		0.827		0.806	0.770		0.749		0.653	0.598		0.854		0.804	0.762		0.841		0.912	0.907
% Change				-2.5%	-6.8%				-12.8%	-20.2%				-5.9%	-10.7%				8.5%	7.9%

IQ Skill Definition	All Men					Low IQ					Middle IQ					High IQ				
	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim
With Parents	0.067	0.660	0.160	0.711	0.698	0.099	0.695	0.252	0.629	0.666	0.036	0.770	0.144	0.780	0.766	0.052	0.577	0.093	0.783	0.736
Alone	0.158	0.798	0.329	0.809	0.823	0.148	0.811	0.312	0.670	0.719	0.147	0.808	0.326	0.844	0.857	0.222	0.841	0.351	0.875	0.887
With Spouse	0.774	0.847	0.511	0.830	0.766	0.753	0.811	0.435	0.762	0.639	0.817	0.880	0.529	0.839	0.780	0.726	0.846	0.556	0.874	0.852
Overall		0.827		0.804	0.770		0.799		0.700	0.654		0.865		0.832	0.791		0.831		0.866	0.854
% Change				-2.7%	-6.8%				-12.5%	-18.3%				-3.9%	-8.6%				4.2%	2.7%

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CHART 4
Male Economic Independence Rates

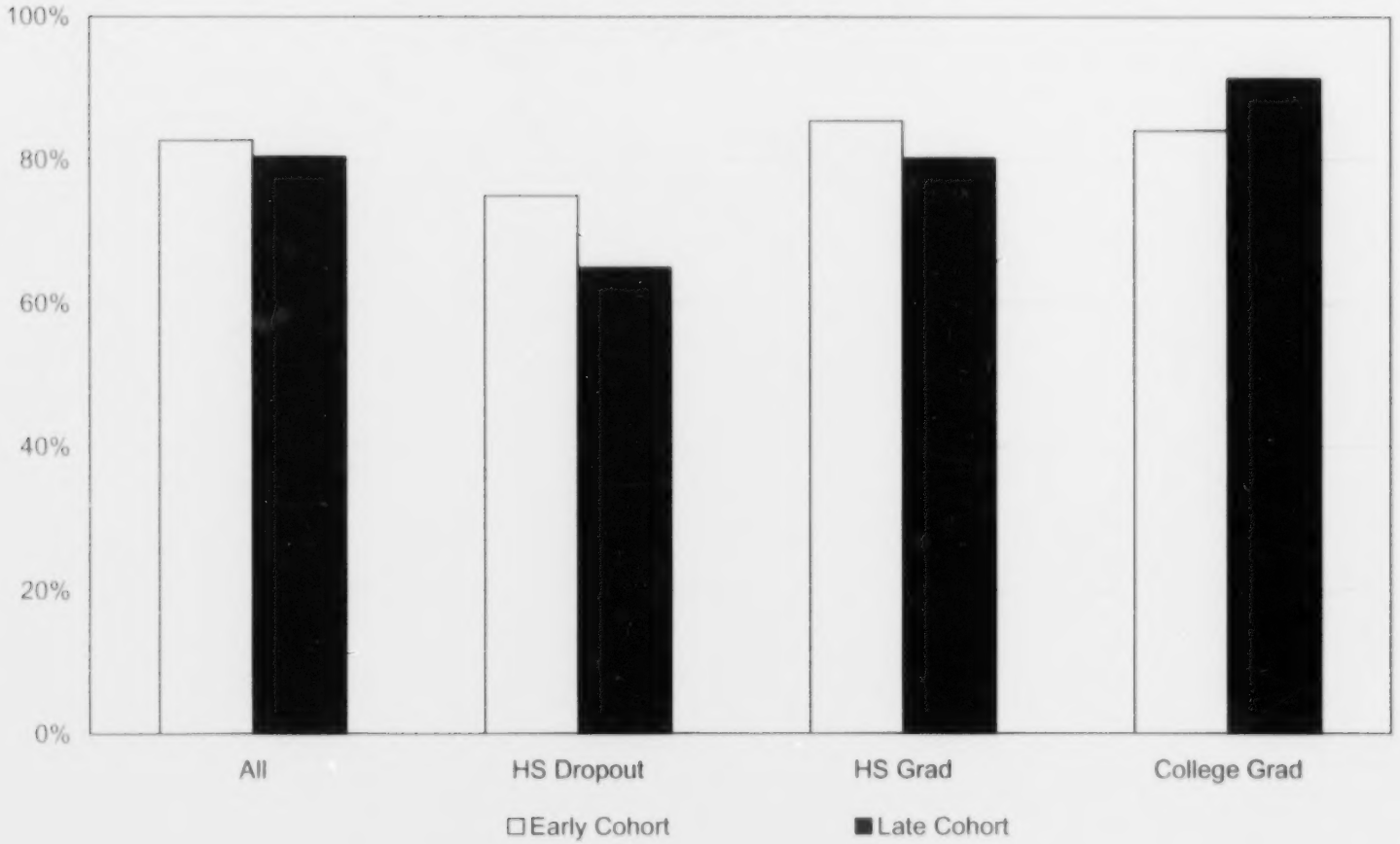

TABLE 4
Female Economic Independence

Education Skill Definition	All Women					High School Dropout					High School Grad					College Grad				
	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim
With Parents	0.063	0.530	0.102	0.655	0.609	0.082	0.198	0.101	0.326	0.262	0.065	0.607	0.111	0.666	0.655	0.034	0.875	0.076	0.858	0.799
Alone	0.085	0.853	0.201	0.841	0.840	0.027	0.486	0.092	0.544	0.699	0.080	0.887	0.172	0.820	0.816	0.188	0.855	0.330	0.938	0.923
With Spouse	0.756	0.298	0.558	0.531	0.537	0.702	0.131	0.486	0.218	0.172	0.775	0.301	0.570	0.513	0.518	0.755	0.488	0.573	0.743	0.785
W/ Chd No Sps	0.096	0.373	0.139	0.364	0.363	0.189	0.151	0.321	0.090	0.070	0.080	0.500	0.148	0.443	0.435	0.023	0.808	0.020	0.844	0.958
Overall		0.367		0.583	0.551		0.150		0.218	0.174		0.384		0.572	0.544		0.577		0.818	0.815
% Change				58.8%	50.0%				45.4%	16.3%				49.2%	41.8%				41.7%	41.2%

IQ Skill Definition	All Women					Low IQ					Middle IQ					High IQ				
	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim	Wts.	Early	Wts.	Late	Sim
With Parents	0.063	0.530	0.102	0.655	0.609	0.076	0.537	0.147	0.529	0.505	0.055	0.661	0.100	0.767	0.763	0.034	0.596	0.056	0.690	0.580
Alone	0.085	0.853	0.201	0.841	0.840	0.058	0.649	0.145	0.678	0.702	0.073	0.921	0.197	0.888	0.873	0.144	0.923	0.261	0.872	0.846
With Spouse	0.756	0.298	0.558	0.531	0.537	0.756	0.263	0.436	0.392	0.364	0.803	0.294	0.587	0.540	0.564	0.756	0.416	0.637	0.636	0.659
W/Chd No Sps	0.096	0.373	0.139	0.364	0.363	0.110	0.222	0.272	0.204	0.171	0.068	0.522	0.116	0.485	0.476	0.066	0.481	0.047	0.754	0.772
Overall		0.367		0.583	0.551		0.302		0.403	0.373		0.376		0.625	0.592		0.499		0.706	0.691
% Change				58.8%	50.0%				33.5%	23.7%				66.3%	57.4%				41.4%	38.3%

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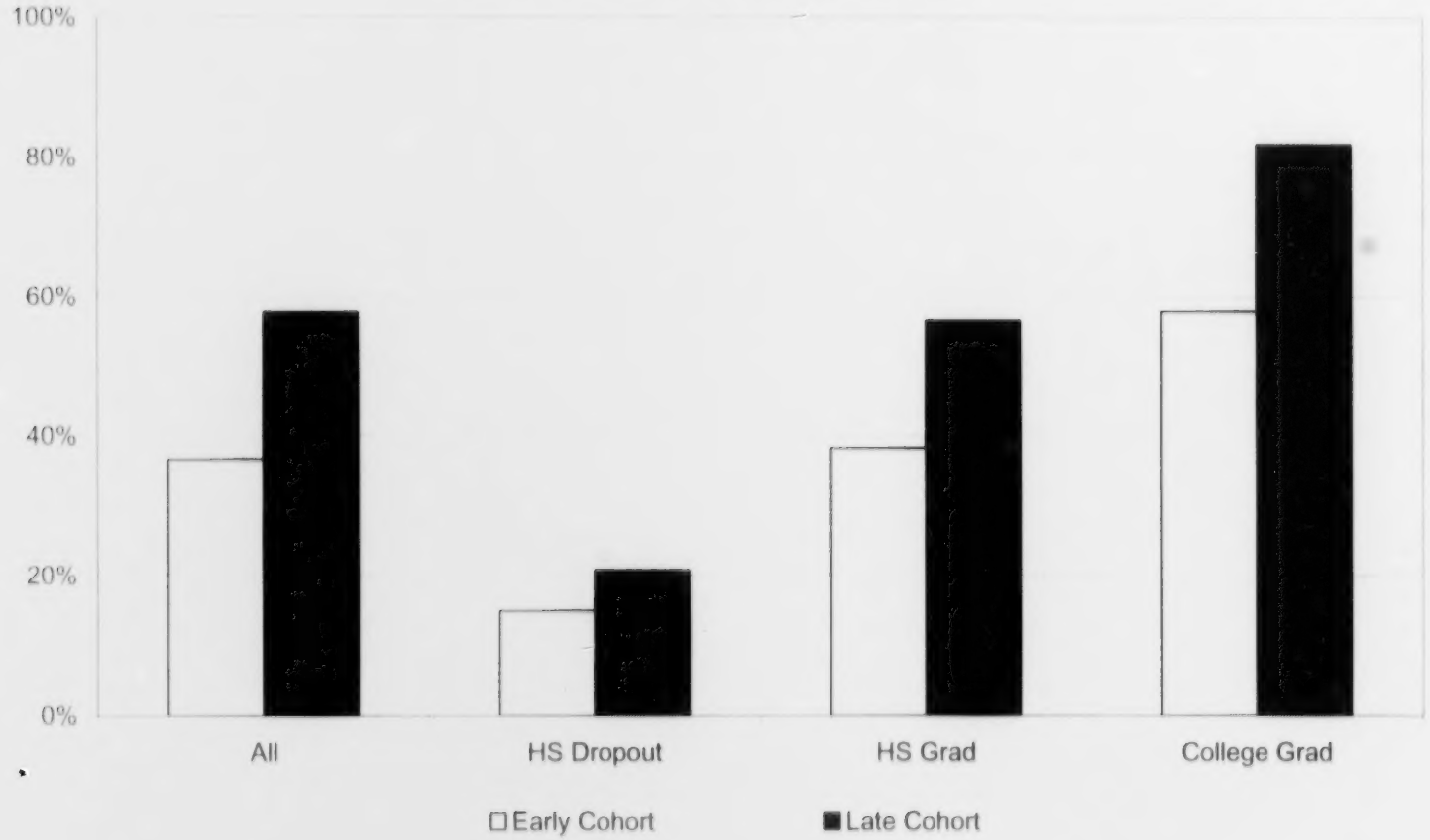
CHART 5
Female Economic Independence Rates



The group with the least economic independence in the late cohort is the group of female high school dropouts who are single custodial mothers (see columns 5 and 6 of Table 4). Within this group, 15 percent in the early cohort, and only 9 percent in the later cohort, had labor market earnings sufficient to pull their families out of poverty; these youths also did not have a spouse or parents to supplement their household income.

5.3 Comparison by Sex

Whereas males as a group experienced similar levels of economic independence in the early and late cohorts, females as a group experienced increased economic independence; rates of male economic independence fell from 83 percent to 81 percent while female economic independence rose from 37 percent to 58 percent. Again, this differential trend reflects the increased employment and wage rates for young women in the later cohort, relative to male youths.

5.4 Summary

This section has documented the diminished rates of economic independence for males but increased rates of economic independence for females. It is interesting to compare these results to the group-specific poverty rates reported in previous research. For low-skilled females, those without a high school degree, the incidence of poverty rose from 32 percent to 45 percent, reflecting overall wage stagnation and an increased incidence of single custodial motherhood in this group (Haveman and Knight, 1998). In contrast, the incidence of economic dependence fell from 85 percent to 79 percent, reflecting the increased employment and rising wages for this group. Thus, while more low-skilled females lived in poverty in the later cohort, the contribution of own earnings to the economic position of their households increased from the early to the late cohort.

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6. SIMULATIONS

If youths responded to diminished labor market opportunities through shifting to living arrangements with less financial responsibility, the effect of the erosion of labor market opportunities on economic independence may have been mitigated. In this section, we study this interaction between living arrangements and economic independence by posing the question, "What would have been the late cohort economic independence of youths were they not able to adjust their living arrangements in response to eroded labor market opportunities?" To answer this question, we simulate counterfactual late cohort economic independence assuming that these youths adopted the same distribution of living arrangements as the early cohort.

6.1. Simulation Procedure

The simulations were performed separately for each skill/gender category—that is, the early and late cohort distributions of living arrangements are calculated conditional on skill and gender. For the purposes of the simulation, additional living arrangement categories were created to account for variation in the number of children. For example, living with a spouse and one child is a separate category from living with a spouse and two children. This expanded set of living arrangements is used in each of the three steps listed below.

1) For each living arrangement with more youths in the later cohort than in the earlier cohort (early weight > late weight), each youth in that arrangement is randomly chosen to remain in this arrangement with probability = early weight / late weight, where the weight is the proportion of youths within the living arrangement in the corresponding cohort. Equivalently, each is chosen to move out of these arrangements with probability = (late weight − early weight / late weight).

2) For those youths chosen to move out of their living arrangements, each is randomly placed into a living arrangement with fewer youths in the later cohort (late weight < early weight). These probabilities are chosen in order to match the distribution of living arrangements from the early cohort. That is, the youths are placed into each simulated living arrangement with probability (early weight − late weight / total) where total, the sum of numerators across all of these living arrangements, guarantees that these probabilities sum to 1.

3) After assigning each of the shifted youths to a living arrangement, a simulated economic threshold measure reflecting the assigned living arrangement is calculated. This measure is compared to the youth's actual earnings in order to create a simulated economic independence indicator. Thus, we implicitly assume that labor supply is invariant to changes in living arrangements.

To illustrate this procedure, consider a group of ten male high school dropouts and three possible living arrangements (alone, with parents, with spouse). In the early cohort, five youths live with their spouse, four live alone, and one lives with parents. In the late cohort, two youths live with their spouse, three live alone, and five live with parents. Following the simulation procedure, the five late-cohort youths living with parents are randomly selected out of their living arrangement with probability 80 percent. These youths selected out of this "with parents" living arrangement are then placed into the "with spouse" and "alone" living arrangement with probabilities 75 percent and 25 percent, respectively. Thus, this simulated distribution has probabilities that match the early distribution of living arrangements. This procedure is then repeated for each skill and gender category.

6.2. Simulation Results

The results of these simulations can be found for each skill/gender and living arrangement category under the "Sim" columns in Tables 3 and 4. The results are summarized in the following table for each skill/gender class.

	Economic Independence in Early Cohort (%)	Economic Independence in Late Cohort without Living Arrangement Adjustments (%)	Economic Independence in Late Cohort with Living Arrangement Adjustments (%)	Gain in Economic Independence Due to Adjustments in Living Arrangements (pct. points)
All Males	82.7	77.0	80.6	3.6
High school dropout	74.9	59.8	65.3	5.5
High school graduate	85.4	76.2	80.4	4.2
College graduate	84.1	90.7	91.2	0.5
All Females	36.7	55.1	58.3	3.2
High school dropout	15.0	17.4	21.8	4.4
High school graduate	38.4	54.4	57.2	2.8
College graduate	57.7	81.5	81.8	0.3

For each of the 12 skill/gender categories, the late-cohort youths fare better in their observed (actual) living arrangements than in their simulated living arrangements, reflecting the effect of choosing living arrangements with less financial responsibility in response to the reduced labor market opportunities in the later cohort relative to the early cohort. The higher actual economic independence measures relative to the simulated measures have different interpretations depending on whether economic independence increased or decreased between the two cohorts. The increased choice of living arrangements with less financial responsibility as the labor market eroded from the late 1960s to the late 1980s mitigated the loss of economic independence for those whose position deteriorated over the period. However, the altered living arrangement choices enhanced the gain in economic independence for those whose position improved. For example, low-skilled males—those without a college degree—experienced a fall in economic independence. Had they been unable to shift toward living arrangements with fewer responsibilities, the erosion in economic independence would have been even greater than that observed. On the other hand, males with a college degree and women experienced an increase in economic independence. For these groups, the shift toward living arrangements with fewer responsibilities led to a greater increase in economic independence than would have occurred without the shifts.

Consider, first, the situation for all males (see table above). In the late cohort with its less robust labor market, 81 percent of males were economically independent, down from 83 percent in the early cohort. However, the loss of economic independence would have been greater had they not shifted living arrangements toward less economic responsibility in response to the reduction in labor market opportunities. We calculate that without such shifts, the percentage of male youths in the later cohort who would have been economically independent would have been 77 percent, or a reduction from the 83 percent in the early cohort of 6 percentage points. Hence, we attribute a gain in economic independence of nearly 4 percentage points to the labor market-induced shift in living arrangements toward those with less economic responsibility.

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For male high school dropouts, the percentage who were economically independent would have fallen from 75 percent to 60 percent between the early and late cohorts if there had been no shift in living arrangements. With this adjustment, the actual decrease in the percentage who were economically independent was from 75 percent to 65 percent. In this case, the gain in economic independence due to the living arrangement adjustments was nearly 6 percentage points. As the table shows, the gain in economic independence from the induced shift in living arrangements falls as the skill level of the worker increases. For the highest skill category, the shift in living arrangements had virtually no effect on the level of economic independence.

For females, the levels of economic independence are lower for all skill levels than they are for males, and in each case economic independence increased from the early to the late cohort. As for males, the shift in living arrangements for young women also contributed positively to economic independence. Again the gain from this shift is greater for low-skilled than for high skilled women, reflecting the relatively stronger labor market for young workers with skills.

7. CONCLUSION

This paper examines two implications for youths of the general deterioration in the labor market from the late 1960s to the late 1980s: the resulting changes in living arrangements and in economic independence between the two cohorts. The decision to live with one's parents was especially strong for those who experienced the greatest decrease in labor market opportunities, namely low-skilled males. Similarly, we find that fewer males were married (with or without children), instead remaining with their parents or living alone. Females in the early cohort tended to live with a spouse; by the late cohort, fewer females lived with a spouse and more lived either as single custodial mothers or alone. These overall shifts toward living arrangements with less financial responsibility is consistent with the hypothesis that youths delay marriage and family, living arrangements with significant financial responsibilities, in

response to labor market changes, namely increased earnings volatility, stagnant median earnings, and increased insecurity.

Low-skilled males experienced a slight fall in their rate of economic independence while high-skilled males experienced a corresponding increase; this change reflects the deterioration in labor market conditions for low-skilled male youths. Females experienced an increase in their rate of economic independence across all skill categories, again reflecting the general increases in labor force participation and wage rates for women.

This shift away from marriage and children toward living arrangements with less financial responsibility significantly increased the economic independence of youths, relative to their economic independence had they been unable to make these adjustments. This pattern is consistent for all skill levels and for both male and female youths, but these shifts in living arrangements had a stronger effect on economic independence for low-skilled youths, relative to their higher-skilled peers.

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